

Research Councils UK: Assurance

Accountability Conference:- Oslo

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RESEARCH
COUNCILS UK



A little geography.....



The Research Councils:- Our home!



A little bit of history.....

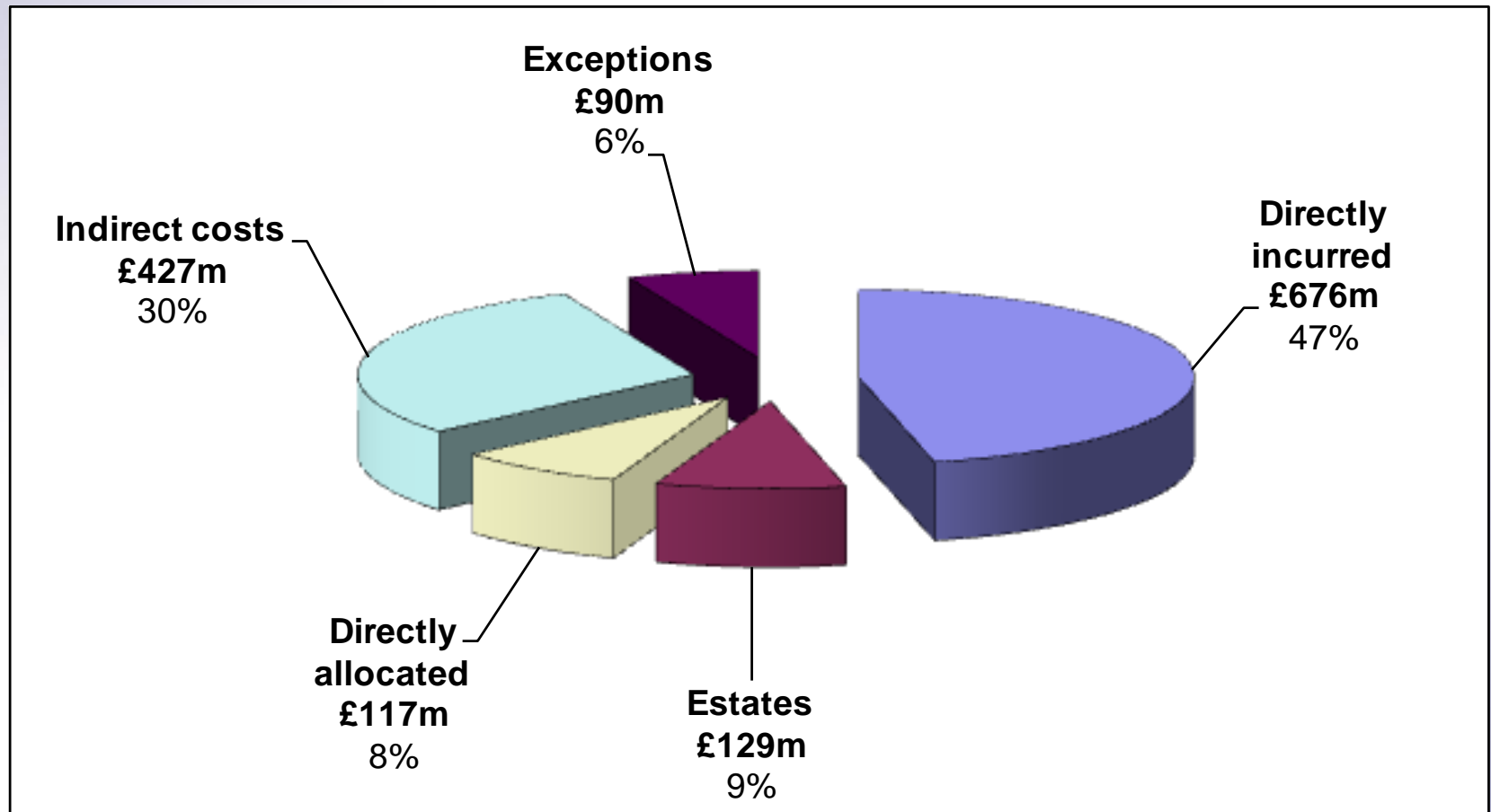
- Original funding model for grants:
 - Direct costs + 46% contribution to indirect costs
- Universities not knowing the full cost of research undertaken
- Universities not recovering the full economic cost of research undertaken
- In 2005, move to record full costs at project level.
Research Councils fund 80% of full economic cost

Historycontinued...

- New costing methodology in universities (TRAC) introduced but..... complex, burdensome
- Requirement to understand respective costs of Research and Teaching (timesheets?)
- New costs come to the forefront (Indirect costs, Estates etc)
- Introduction of full economic costing environment made assurance requirements in need of review

The context

RC grant fEC awards 2009/10



Total awarded £1,439m

In the old days....assurance pre-fEC:

Research Councils paid direct costs & contribution to indirect costs

Accountability requirements focused on:

- Direct costs / Ineligible items

- Compliance with terms and conditions

Additional objective:- to develop a better mutual understanding of each other's requirements

Not duplicating work of research organisations own internal audit

Cross-Council visits to research intensive institutions every 3-4 years

Production of annual assurance report to RC Accounting Officers
(Chief Executives)



Not everything changed though:- Grant funding mechanism

- ❑ Grants usually awarded on a three year lifespan
- ❑ Awarded on cash limit basis (although average value higher)
- ❑ Grant starts: profile payments
- ❑ Grant ends (3 months to complete final expenditure statement and final scientific report)
- ❑ Awarded with terms and conditions attached

Purpose of assurance activities

- ☐ Assurance over grant funding provided to
 - ☐ Accounting officers
 - ☐ Audit Committees
 - ☐ National Audit Office
 - ☐ The Research organisation
- ☐ Provide support and empowerment to research administration
- ☐ Provide evidence of compliance with terms and conditions of grant

With the introduction of full economic costing.....

- ❑ New risks
- ❑ TRAC costing methodology
- ❑ Scrutiny of control environment & direct costs on grants
- ❑ These are not mutually exclusive!

Transparent approach to costing (TRAC)

- ❑ Allocate costs from financial accounts
 - ❑ Between Teaching, Research, Other and Support
- ❑ Support costs allocated to research = indirect costs
- ❑ Indirect costs/Estates charged at project level –
 - ❑ 1st create a charge out rate £/research FTE
 - ❑ 2nd identify FTE charged to project to calculate costs

Challenges for funders using fEC

PROBLEMS

- ❑ Guidance open to interpretation
- ❑ Not integrated into terms and conditions of grant effectively
- ❑ No push within TRAC to be more efficient with indirect costs

SOLUTIONS

- ❑ Cross sector group generated to gain single viewpoint
- ❑ RCUK Assurance advises on developments of terms and conditions of grant
- ❑ Consideration targets and indicators of sustainable financial development

Assurance in a fEC environment

- ❑ 20 Three day visits to research organisations
- ❑ 20 Desk based reviews

- ❑ Each visit focuses on
 - ❑ Regularity of expenditure on about 40 grants (direct costs)
 - ❑ Payment in advance of need
 - ❑ Review use and application of TRAC methodology
 - ❑ Communications
 - ❑ Control environment

Assurance:- areas of scrutiny

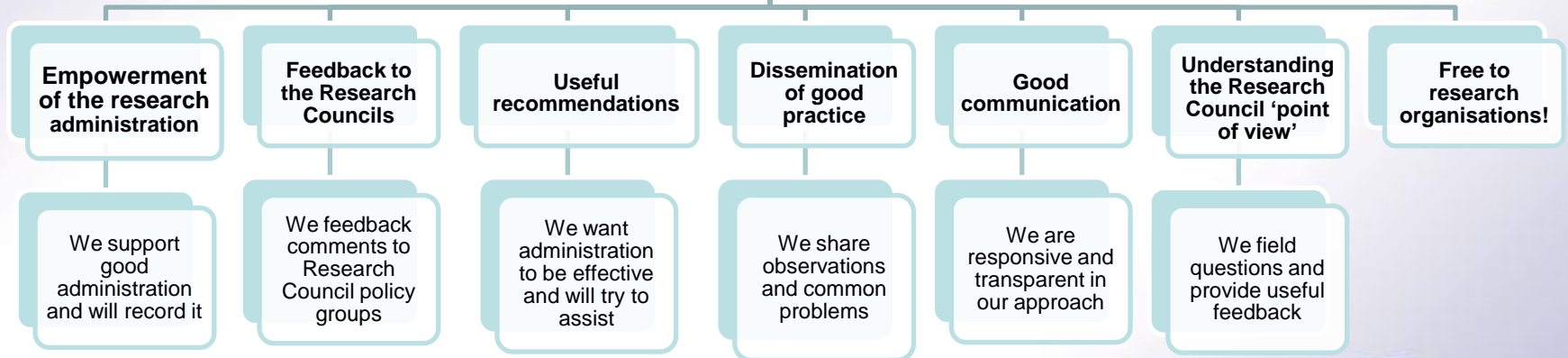
- Organisation controls (structure, delegated authority, control environment)
- Procedures (how are RC guidelines, T&Cs made available to relevant staff, (PIs, dept. admin staff etc)
- Monitoring and reporting of expenditure (transaction listings, use of reports and their distribution)
- Staff appointments on grants
- Procurement involvement in the purchase of capital equipment
- Audit remit & cycle
- Risk policies
- Financial fraud/scientific misconduct
- Training
- Ethics (Ethical reviews)
- TRAC:- rates are correctly calculated and applied to grant applications

Objectives

- ❑ Has the research organisation appropriate procedures in place to assure quality and integrity of research grant administration ? (focus on compliance with Research Councils terms and conditions).
 - ❑ Regularity of expenditure
 - ❑ Probity of activity and research integrity
 - ❑ Accountability of public funds
 - ❑ Identifying value for money
 - ❑ Sustainability of research base
 - ❑ Governance (Corporate/ Research where relevant)

Benefits for research organisations

Benefits



Features of new approach

- ❑ Collect and review indicators to improve the selection process
- ❑ Risk analysis leading to a more focused programme of work
- ❑ Increased review of pre-award costing processes
- ❑ Increased understanding of interface between fEC and grant administration
- ❑ Experienced accounting/auditor staff leading visits with some support from grant administrators

Conclusion

- ❑ New process
 - ❑ More sensitive to risks
 - ❑ Greater consideration of pre-award
 - ❑ Greater consideration of research management and governance
- ❑ Objective is to contribute value added to the process whilst meeting the RCs regulatory requirements:-
 - Promote & contribute to best practice in the sector (successful track record)
 - Transparency in RCs objectives & requirements
 - Share approach & outcomes, where practicable with other funders